



**MONTANA-DAKOTA**  
**UTILITIES CO.**

*A Division of MDU Resources Group, Inc.*

400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

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DEPARTMENT OF REVENUE

March 1, 2007

Mr. Russ Trasky  
Specialist, Large Customer Team  
Montana Department of Revenue  
P.O. Box 5085  
Helena, MT 59604-5805

RE: Montana-Dakota Utilities Co.  
2006 Electric USB Report

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. herewith submits its Annual Report regarding Universal System Benefit Programs (USBP) pursuant to MCA § 69.8.402 (8) as part of the Electric Utility Industry Restructuring Law.

Montana-Dakota began collecting the charge required to fund electric USBP at the required level of 2.4% of 1995 annual electric revenues on January 1, 2000. The applicable Universal System Benefit Charges (USBC) were approved by the Montana Public Service Commission (Commission) on an interim basis on December 21, 1999 to be effective January 1, 2000.

The total dollars collected under the USBC during the period January 1, 2006 through December 31, 2006 was \$842,510.30. The large customer group, defined as customers with monthly electric billing demands of 1,000 kW or higher, accounted for \$226,112.94 of the total amount collected.

MONTANA-DAKOTA UTILITIES CO.

The following USBP expenditures were made in the calendar year 2006 in accordance with programs approved by the Commission:

Low-Income Discount	\$92,252.27	67-4537-006
Low-Income Weatherization	127,200.00	
Low-Income Energy Audits	10,000.00	
Energy Share Endowment	20,000.00	
Energy Share Bill Assistance	26,000.00	
Energy Share Furnace Safety	20,000.00	
Low-Income Program Promotion	<u>1,546.50</u>	
Commercial Lighting Rebates	19,536.00	67-4537-006
Total Montana-Dakota Programs	<u>\$316,534.77</u>	67-4537-006

Following is a description of each program:

Montana-Dakota offers a low-income discount to all customers that have qualified for Low-Income Energy Assistance (LIEAP). The discount remains in place on a calendar basis and is updated annually after the LIEAP qualification process the following heating season. Montana-Dakota's discount is based on age and percentage of federal poverty. Qualifying customers 65 years of age or older receive an additional 5% discount. All data used to administer the discount is received from the State Department of Health and Human Services. When combined with a LIEAP benefit, the bill discount serves to mitigate the higher percentage of disposable income necessary to pay utility bills that this group of customers pays in comparison to other customers. As shown below, the discount provides those customers furthest below the Federal Poverty Guideline with the greatest benefit.

**Low-Income Utility Discount Table**

% of Federal Poverty	Electric Service Discount
0-30%	25%
31%-60%	20%
61%-90%	18%
91%-125%	10%
126%-150%	5%

The other low-income related programs include weatherization, energy audits, bill assistance and a furnace/water heater repair program. These programs provide assistance to low income customers located in Montana-Dakota’s service territory. The bill assistance and furnace/water heater programs are administered by Energy Share of Montana in accordance with their established guidelines to provide assistance to qualifying low-income customers. The furnace safety program recognizes the problem that arises when a low-income customer is faced with a costly repair bill or in some cases the cost of replacing space or water heating equipment. The Weatherization and Energy Audit Programs are administered by Action for Eastern Montana in accordance with guidelines established by the State Department of Health & Human Services and the Department of Energy and assist low-income customers with conservation measures that result in energy savings.

The Energy Share endowment will provide for the long-term needs of the low-income customers of Montana by providing a stable funding source for energy assistance dollars and is a cost effective program that will benefit Montana-Dakota's customers. Customer education consists of outreach required to better inform customers of the available assistance programs noted above and the Federal LIEAP program.

In addition to the low-income related programs a Commercial Lighting Program, which provides rebates to customers installing qualifying lighting system retrofits, was offered to customers with rebates totaling \$19,536.00 provided in calendar year 2006.

As noted above, a total of \$226,112.94 was collected from the Large Customer Group. In accordance with 69-8-402 (MCA) the Large Customer Group has the right to self-direct funds collected through the USBC. Funds totaling \$203,807.58 were refunded to the Large Customer group for carryover projects previously submitted but not fully refunded.

In accordance with 69-8-402 (MCA) Montana-Dakota, herewith submits the unexpended balance of USBC funds of \$322,167.95 to the Department of Revenue.

The determination of this amount is summarized below:

Total USB Funds Collected 2006	\$842,510.30
Less: Program Expenditures	
Low-Income Discount	<u>\$92,252.27</u>
Low-Income Weatherization	127,200.00
Low-Income Energy Audits	10,000.00
Energy Share Endowment	20,000.00
Energy Share Bill Assistance	26,000.00
Energy Share Furnace Safety	20,000.00
Low-Income Program Promotion	<u>1,546.50</u>
Commercial Lighting Rebates	19,536.00
Total Montana-Dakota Programs	<u>\$316,534.77</u>
Less Large Customer Self-Directed Funds	<u>203,807.58</u>
Amount to Remit to Department of Revenue	<u>\$322,167.95</u>

MONTANA-DAKOTA UTILITIES CO.

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Please acknowledge receipt by stamping or initialing the duplicated copy of this letter attached hereto and returning the same in the enclosed, self-addressed, stamped envelope.

Sincerely,



Donald R. Ball  
Vice President-Regulatory Affairs

Cc: Montana Public Service Commission  
John Alke